

Investment in shares by non residents

Tel: +94 (11) 2 131 000

Foreign investments in the local equity market are open to citizens of foreign states, Sri Lankan citizens outside Sri Lanka and approved currency funds etc. Foreigners are permitted to acquire shares up to 100% in public quoted companies subject to certain limitations. Foreign investment is permitted in all sectors of the economy except in some areas such as Money lending, Pawn Brokering, Coastal Fishing, Retail Trade with capital of less than one million US\$.

Foreign investments are guaranteed protection by the constitution of Sri Lanka and special protection agreements between Sri Lanka with several countries. Further, Sri Lanka being a founder member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, provides guarantees against non-commercial risks, such as those arising out of political changes or political instability and insecurity.

The equity investment transactions between non-residents with residents are channelled through authorized dealers (i.e. stockbrokers) with Share Investment External Rupee Account (SIERA). SIERA account is opened and maintained by authorized dealers and facilitates the investment by foreign investors.

Following is the permitted credits and debits to SIERA accounts

Permitted credits to SIERA

- Inward remittances
- Sales proceeds of shares and dividends earned on shares
- Commissions relating to transactions of shares
- Fee and corporate benefits received by a non resident lender in respect of shares lent to a borrower under the Stock Borrowing and Lending Scheme (SBL)
- Cash to be credited to the lender in the event of any failure to transfer shares by the borrower under the SBL scheme

Permitted debits to SIERA

- Expenses for purchase of shares
- Remittances of dividends of shares
- Remittances of sale proceeds of shares
- Local expenses of the account holder
- Payments to stockbroker or commercial banks as commissions
- Fees and funds required to pay corporate benefits to the security lender on shares borrowed by a non resident borrower under the SBL scheme
- Any cash collateral to be provided by a non-resident borrower

In addition, authorized dealers may enter into contracts with foreign investors for the purchases of foreign exchange forward, for settlement of payments in respect of shares purchased on their behalf up to a period calculated as per the rules laid down by the Colombo Stock Exchange (CSE). Foreign currency remitted by the foreign investors as subscription for primary shares may be held in an off-shore banking unit and upon allotment of shares, to the SIERA of the investor. Authorized dealers are also permitted to approve applications for export of share certificates issued by companies in respect of shares purchased by SIERA account holders out of the funds in the account.